

**HEARING LOSS ASSOCIATION OF AMERICA, INC.
(a nonprofit organization)**

FINANCIAL STATEMENTS

**Year Ended August 31, 2022
with Summarized Comparative Information for the year ended
August 31, 2021**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hearing Loss Association of America, Inc.
Rockville, Maryland

Opinion

We have audited the accompanying financial statements of Hearing Loss Association of America (the Association), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Contingencies

As noted in Note 14 to the financial statements, economic uncertainties have arisen as a result of the spread of the novel coronavirus which are likely to negatively impact the Association's operations. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Association's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Renner and Company, CPA, P.C.

Alexandria, Virginia
January 31, 2023

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FINANCIAL POSITION

August 31, 2022 (with Comparative Information as of August 31, 2021)

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash	\$ 892,348	\$ 1,356,023
Accounts receivable	89,999	88,807
Prepaid expenses	<u>45,038</u>	<u>22,303</u>
TOTAL CURRENT ASSETS	<u>1,027,385</u>	<u>1,467,133</u>
PROPERTY, at cost, net	<u>80,841</u>	<u>98,966</u>
OTHER ASSETS		
Investments	4,076,266	3,811,501
Security deposit	<u>11,181</u>	<u>11,181</u>
TOTAL OTHER ASSETS	<u>4,087,447</u>	<u>3,822,682</u>
TOTAL ASSETS	<u><u>\$ 5,195,673</u></u>	<u><u>\$ 5,388,781</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 210,890	\$ 261,609
Paycheck Protection Program loan payable	-	178,425
Deferred revenue	101,100	100,164
Deferred rent	<u>116,986</u>	<u>115,325</u>
TOTAL LIABILITIES	<u>428,976</u>	<u>655,523</u>
NET ASSETS		
Without Donor Restriction	4,237,629	4,284,613
With Donor Restriction	<u>529,068</u>	<u>448,645</u>
TOTAL NET ASSETS	<u>4,766,697</u>	<u>4,733,258</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,195,673</u></u>	<u><u>\$ 5,388,781</u></u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF ACTIVITIES

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

	2022			2021
	Without Donor Restriction	With Donor Restriction	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 1,538,275	\$ 6,000	\$ 1,544,275	\$ 1,863,240
Walk4Hearing	450,274	-	450,274	384,499
Gain on extinguishment of debt	178,425	-	178,425	-
Grants and contracts	176,324	-	176,324	90,487
Conferences, meetings, and seminars	133,631	-	133,631	30,875
Membership dues	101,332	-	101,332	123,068
Advertising	100,258	-	100,258	91,495
In-kind	26,034	-	26,034	-
Consulting income	6,065	-	6,065	5,000
Other	2,424	-	2,424	91
Investment (loss) income	(475,292)	83,865	(391,427)	528,744
Net assets released from restrictions:				
Satisfaction of purpose restrictions	9,442	(9,442)	-	-
TOTAL SUPPORT AND REVENUE	2,247,192	80,423	2,327,615	3,117,499
EXPENSES				
Program	1,828,836	-	1,828,836	1,395,039
Management and general	137,156	-	137,156	163,224
Fundraising	328,184	-	328,184	256,126
TOTAL EXPENSES	2,294,176	-	2,294,176	1,814,389
CHANGE IN NET ASSETS	(46,984)	80,423	33,439	1,303,110
NET ASSETS, beginning of year	4,284,613	448,645	4,733,258	3,430,148
NET ASSETS, end of year	\$ 4,237,629	\$ 529,068	\$ 4,766,697	\$ 4,733,258

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM SERVICES

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

	PROGRAM SERVICES							Program Total
	Convention	Chapters, State Organizations, Members	Education	Advocacy	Walk4Hearing Awareness	Accessibility and Technology	Get in the Hearing Loop	
Salaries	\$ 138,173	\$ 227,357	\$ 161,825	\$ 203,734	\$ 100,934	\$ -	\$ -	\$ 832,023
Employer payroll tax	11,447	18,840	13,403	16,855	8,355	-	-	68,900
Health insurance	6,600	10,847	7,742	9,804	4,842	-	-	39,835
Life/LTD insurance	1,486	2,419	1,760	2,319	1,121	-	-	9,105
Employer 403b contributions	4,866	7,991	5,708	7,242	3,573	-	-	29,380
Consulting	-	-	23,463	-	-	89,525	30,000	142,988
Awards	-	1,637	-	-	-	-	-	1,637
Bank and credit card fees	2,521	9,859	1,246	1,402	10,766	-	-	25,794
Blackbaud/software	8,320	23,614	3,800	-	18,877	-	-	54,611
Board-related	621	1,046	709	798	421	-	-	3,595
Captioning/signing	19,837	2,680	1,354	-	1,124	225	1,985	27,205
Commissions	8,288	-	19,366	-	-	-	-	27,654
Decorations	6,719	-	-	-	-	-	-	6,719
Depreciation	2,537	4,278	2,900	3,262	1,722	-	-	14,699
Design and typesetting services	3,870	9,370	3,265	-	11,362	-	490	28,357
Dues and subscriptions	-	304	2,411	500	80	649	1,438	5,382
Equipment rentals	70,842	2,189	-	-	2,737	-	-	75,768
Event-related	120,709	449	2,000	-	561	2,824	1,855	128,398
General insurance	2,381	4,014	2,721	3,061	1,616	-	-	13,793
Interest	-	-	-	-	-	-	-	-
In-kind expense	26,034	-	-	-	-	-	-	26,034
IT	1,499	2,527	1,713	1,928	1,018	-	-	8,685
Legal and accounting	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Miscellaneous licenses/ taxes	-	7,047	-	-	-	-	-	7,047
Office rent	16,633	28,038	19,009	21,385	11,287	-	-	96,352
Payroll services	-	-	-	-	-	-	-	-
Postage/shipping/courier	701	991	7,292	564	613	-	124	10,285
Printing/paper/envelopes	7,578	467	21,800	-	584	-	1,407	31,836
Public relations/promotional	175	14,348	8,338	-	17,935	-	-	40,796
Repairs and maintenance	-	-	-	-	-	-	-	-
Scholarships - convention	2,500	-	-	-	-	-	-	2,500
Small office equipment/software	143	6,403	3,257	-	5	-	857	10,665
Staff training & recruitment	-	-	-	-	-	-	-	-
Supplies	267	508	-	75	635	-	19	1,504
Telephone	1,322	2,456	1,511	1,700	1,181	-	18	8,188
Travel, meals, and lodging	17,496	6,519	296	50	8,149	331	7,744	40,585
Unified membership program	-	3,779	-	-	-	-	-	3,779
UBIT Expense	-	-	-	-	-	-	-	-
Volunteer recognition	-	1,165	-	-	1,206	-	-	2,371
Web hosting	-	-	2,366	-	-	-	-	2,366
Total	<u>\$ 483,565</u>	<u>\$ 401,142</u>	<u>\$ 319,255</u>	<u>\$ 274,679</u>	<u>\$ 210,704</u>	<u>\$ 93,554</u>	<u>\$ 45,937</u>	<u>\$ 1,828,836</u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

	2022					2021	
	Program Total	General and Administrative	Fundraising		Total Fundraising	Total	Total
			Development	Fundraising			
Salaries	\$ 832,023	\$ 54,564	\$ 123,650	\$ 20,187	\$ 143,837	\$ 1,030,424	\$ 910,636
Employer payroll tax	68,900	4,515	10,240	1,671	11,911	85,326	71,409
Health insurance	39,835	2,622	5,921	968	6,889	49,346	44,023
Life/LTD insurance	9,105	614	1,356	224	1,580	11,299	10,051
Employer 403b contributions	29,380	1,934	4,368	715	5,083	36,397	27,167
Consulting	142,988	2,240	75,986	-	75,986	221,214	155,779
Awards	1,637	-	-	-	-	1,637	-
Bank and credit card fees	25,794	392	935	2,153	3,088	29,274	24,887
Blackbaud/software	54,611	11,890	8,511	3,775	12,286	78,787	64,472
Board-related	3,595	221	532	84	616	4,432	7,281
Captioning/signing	27,205	4,655	120	225	345	32,205	12,533
Commissions	27,654	-	16,000	-	16,000	43,654	20,534
Decorations	6,719	-	-	-	-	6,719	-
Depreciation	14,699	907	2,175	344	2,519	18,125	11,893
Design and typesetting services	28,357	-	1,460	2,272	3,732	32,089	23,180
Dues and subscriptions	5,382	9,606	2,605	16	2,621	17,609	13,361
Equipment rentals	75,768	3,309	-	547	547	79,624	4,530
Event-related	128,398	-	-	112	112	128,510	108,819
General insurance	13,793	851	2,041	323	2,364	17,008	15,074
Interest	-	-	-	-	-	-	1,784
In-kind expense	26,034	-	-	-	-	26,034	-
IT	8,685	534	1,285	204	1,489	10,708	11,660
Legal and accounting	-	17,559	-	-	-	17,559	17,052
Miscellaneous	-	315	-	-	-	315	2,313
Miscellaneous licenses/ taxes	7,047	275	-	-	-	7,322	6,942
Office rent	96,352	5,534	14,257	2,257	16,514	118,400	115,852
Payroll services	-	4,721	-	-	-	4,721	4,305
Postage/shipping/courier	10,285	156	6,413	123	6,536	16,977	24,933
Printing/paper/envelopes	31,836	1,702	5,976	117	6,093	39,631	35,644
Public relations/promotional	40,796	-	-	3,587	3,587	44,383	13,586
Repairs and maintenance	-	1,932	-	-	-	1,932	150
Scholarships - convention	2,500	-	-	-	-	2,500	-
Small office equipment/software	10,665	2,267	-	-	-	12,932	15,178
Staff training & recruitment	-	126	69	-	69	195	3,407
Supplies	1,504	1,456	-	127	127	3,087	7,068
Telephone	8,188	474	1,133	236	1,369	10,031	11,826
Travel, meals, and lodging	40,585	1,067	464	1,630	2,094	43,746	6,978
Unified membership program	3,779	-	-	-	-	3,779	3,275
UBIT Expense	-	718	-	-	-	718	-
Volunteer recognition	2,371	-	-	241	241	2,612	2,554
Web hosting	2,366	-	549	-	549	2,915	4,253
Total	\$ 1,828,836	\$ 137,156	\$ 286,046	\$ 42,138	\$ 328,184	\$ 2,294,176	\$ 1,814,389

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.**STATEMENT OF CASH FLOWS****Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Revenue	\$ 2,540,360	\$ 2,499,472
Investment income	44,285	30,647
	<u>2,584,645</u>	<u>2,530,119</u>
Cash disbursed by operations		
Payments to employees and suppliers	2,347,126	1,578,523
Income tax paid	718	-
Interest paid	-	1,784
	<u>2,347,844</u>	<u>1,580,307</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>236,801</u>	<u>949,812</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	355,403	77,841
Purchase of investments	(1,055,879)	(1,011,579)
Purchase of property	-	(31,153)
	<u>(700,476)</u>	<u>(964,891)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(700,476)</u>	<u>(964,891)</u>
NET DECREASE IN CASH	(463,675)	(15,079)
CASH AND RESTRICTED CASH, beginning of year	<u>1,356,023</u>	<u>1,371,102</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 892,348</u>	<u>\$ 1,356,023</u>
NON-CASH INVESTING ACTIVITIES		
Unrealized loss (gain) in market value of investments	\$ 436,016	\$ (493,214)
(Decrease) increase in investment value	(436,016)	493,214
Forgiveness of Paycheck Protection Program loan	178,425	-
Gain on extinguishment debt	(178,425)	-
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

STATEMENT OF CASH FLOWS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ 33,439</u>	<u>\$ 1,303,110</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	18,125	11,893
Non-cash occupancy costs	1,661	105,743
Unrealized and realized loss (gain) on investments	435,711	(498,097)
Forgiveness of Paycheck Protection Program loan	<u>(178,425)</u>	<u>-</u>
NET ADJUSTMENTS	<u>277,072</u>	<u>(380,461)</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING CASH		
ASSETS		
Accounts receivable	(1,192)	(37,483)
Prepaid expenses	(22,735)	13,379
Security deposit	<u>-</u>	<u>325</u>
	<u>(23,927)</u>	<u>(23,779)</u>
LIABILITIES		
Accounts payable and accrued expenses	(50,719)	102,742
Deferred revenue	<u>936</u>	<u>(51,800)</u>
	<u>(49,783)</u>	<u>50,942</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>(73,710)</u>	<u>27,163</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 236,801</u></u>	<u><u>\$ 949,812</u></u>

See Notes to Financial Statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hearing Loss Association of America, Inc. (the Association), formerly Self Help for Hard of Hearing People, Inc. is a Delaware nonprofit corporation. The Association is the nation's foremost membership and advocacy organization for people with hearing loss. The Association opens the world of communication to people with hearing loss through information, education, support and advocacy.

The Association has a network of state organizations and local chapters that provide strategies and support that are modeled after the Association's philosophy. These organizations have volunteer leaders that have direct experience with hearing loss. Services provided to these organizations include advocacy and promotional material, fundraising, and other services as provided under related arrangements.

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

The Association considers certificates of deposit and highly liquid investments with an initial maturity of three months or less, when purchased, to be cash equivalents. As of August 31, 2022 and 2021, cash consists of a checking account and a money market account. As of August 31, 2022 and 2021, there were no cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Bills are considered due within 30 days of invoice date. The Association maintains an allowance for doubtful accounts for estimated losses that may result from the inability of advertisers or others to make payments. Such allowance is based on several factors, including, but not limited to, historical experience and the financial condition of the payee. As of August 31, 2022 and 2021, the Association did not have a balance in the allowance for doubtful accounts. Outstanding balances are written off after management has made reasonable collection efforts.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property

The Association has adopted a capitalization policy to capitalize all purchases greater than \$1,500 that meet the criteria for capitalization. Property and equipment is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally over a three year period.

Investments

Investments are stated at fair value. Donated investments are reflected as contributions at their fair values at date of receipt. Investments in certificates of deposits are carried at cost, which approximates fair value. Income earned from investments, including realized and unrealized gains and losses, is recorded in the net asset class owning the assets, except donor restricted investments, including realized and unrealized gains and losses, which are recorded as net assets with donor restrictions and then reclassified to net assets without donor restrictions upon appropriation by the Board. Certain net assets with donor restrictions have donor imposed restrictions such that only investment income is available for use by the Association with unrealized gains and losses being retained in net assets with donor restrictions.

Common Stock

The Association received a stock gift which the donors have specified that the gift and any related dividends remain as stock and not be sold. The gift is recorded as a net asset with donor restriction. Under the agreement, the Association is permitted to use any cash dividends to fund current operations. Accordingly, the fair value of the stock as of August 31, 2022 and 2021 is \$264,285 and \$180,420, respectively, and has been recorded as net assets with donor restriction.

Fair Value Measurements

The Association applies accounting principles generally accepted in the United States (U.S. GAAP) for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value on the financial statements on a recurring basis.

Deferred Rent

Rent expense is recorded on a straight-line basis over the term of the lease. The difference between rental payments made under the lease and rent expense calculated on the straight-line basis is recorded as prepaid rent or deferred rent liability.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classes of Assets

In accordance with U.S. GAAP, the Association's net assets are classified into two categories: without donor restriction and with donor restriction. Net assets without donor restriction are available for the general operations of the Association or are designated by the Board for a particular purpose. Net assets with donor restriction are subject to donor-imposed stipulations as to their use for specific programs conducted by the Association or are held in perpetuity.

Without Donor Restriction

The Association includes operating net assets which are available for the general operations of the Association as net assets without donor restriction, as well as Board-designated net assets set aside for future use.

With Donor Restriction

The Association reports gifts of cash and other restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Investment gains and losses earned on donor restricted funds held by the Association are recorded as an increase or decrease in net assets with donor restriction.

Revenue Recognition

Renewal membership dues are recognized ratably over the membership period. Memberships received in advance are deferred to the appropriate membership period. Contributions received are recorded as net asset without donor restriction or net asset with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets with donor restriction at their fair value. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Grants received that are considered to be conditional promises to give are recorded as refundable advances until the conditions are substantially met. Advertising revenue is recognized at a point in time; once the advertisement has been published. Convention registration revenue is recognized at a point in time; once the convention has occurred. Corporate Donations are recognized ratably over the partnership period. Partnerships received in advance are deferred to the appropriate partnership period.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Performance Obligations

Renewal membership dues are recognized over the membership period. The contract for renewal membership dues is established once payment for membership is paid, depending on the type of membership selected. With rates ranging from \$45 a year for individual memberships and \$500 a year for corporate regular membership. The payment is not refundable to the resource provided.

Magazine advertising revenues are recognized at the time the advertisement has been published. The contract for magazine advertising revenues is established once payment is received, for which the Association provides access rights to the magazine advertisements. Rates vary depending on the memberships and sponsorships. Refunds are provided on demand.

Individual and foundation grants are recognized at the beginning of the year. There is no contractual obligations for individual and foundation grants, for which the Association does not provide anything to donors in return of donations. Grants have variable rates depends on the categories of the payment and nature of contracts with customer. The revenues are nonrefundable.

Convention registration revenues are recognized at the time the convention has occurred. The contract for the convention registration revenues is established once the Association provides access rights to their annual convention. Rates ranged from \$125 to \$625 depending on the types of the convention and the packages. Refunds are provided on demand.

Corporate partner program fees are recognized over the program period. The contract for corporate partnerships are established once payment for partnership is paid, depending on the type of partner selected. Rates for the year ended August 31, 2022 ranged from \$10,000 through \$100,000 depending on the type of partnership.

Significant Judgments

The Association's Board of Directors determines the price for its membership dues and partnerships each year. The price for meetings and conferences is determined by management which accounts for all the expenses to be incurred and includes it in the transaction price.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gifts-In-Kind

Donated goods are recorded at their estimated fair value on the date of receipt. Donated services are recognized in the financial statements at their fair value if the services require specialized skills and the services would typically need to be purchased if not donated. In-kind contributions are reported in the statement of activities as both revenue and expense.

Additionally, a number of volunteers have contributed significant amounts of time to the activities of the Association without compensation. These volunteer services are not recorded in the financial statements because the contributed services did not meet the criteria for recognition under generally accepted accounting principles.

Adoption of New Accounting Standard

The Association has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* modifying ASC section 958. The change has been applied as of August 31, 2022, with no effect on beginning net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries, employer payroll tax, health insurance, life/LTD insurance, employer 403b contributions, consulting, bank and credit card fees, blackbaud/software, board related, captioning/signing, depreciation, dues and subscriptions, equipment rentals, general insurance, IT, office rent, postage/shipping/courier, printing/paper/envelopes, supplies, telephone, and travel/meals/lodging have been allocated among the program, general and administrative, and fundraising functions based on level of effort. Commissions, design and typesetting services, event-related, public relations/promotional, volunteer recognition, and web hosting are allocated to program and fundraising. Awards, decorations, in-kind expense, scholarships-convention, and unified membership program are solely allocated to program. Legal and accounting, miscellaneous, payroll services, repairs and maintenance, and UBIT expense are allocated solely to general and administrative. Staff training and recruitment is allocated to general and administrative and fundraising. Lastly, the small office equipment/software, and miscellaneous licenses/taxes is allocated to program and general and administrative expenses.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended August 31, 2021, from which the summarized information was derived.

Liquidity and Availability of Assets

The Association maintains a liquid cash balance in checking and money market accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

The Association reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of the Association's monthly financial reporting process.

The Association's financial assets available within one year to meet cash needs for general expenditures through August 31, 2023 are as follows:

Financial Assets	
Cash	\$ 892,348
Investments	4,076,266
Accounts receivable	89,999
Total Financial Assets	<u>\$ 5,058,613</u>
Less amounts not available within one year	
Purpose restricted net assets	<u>(529,068)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u><u>\$ 4,529,545</u></u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

2. CASH AND RESTRICTED CASH

Cash at August 31, 2022 and 2021 consisted of the following:

	2022	2021
Checking	\$ 892,348	\$ 1,210,196
Business money market	-	145,827
	<u>\$ 892,348</u>	<u>\$ 1,356,023</u>

The checking and money market accounts are insured by the Federal Deposit Insurance Corporation and the Securities Investor Protector Corporation, respectively, up to \$250,000. As of August 31, 2022 and 2021, the Association's uninsured balances per bank, including money market accounts, totaled \$660,871 and \$935,062, respectively. Restricted cash balances totaled \$25,823 and \$30,165 as of August 31, 2022 and 2021, respectively.

3. PROPERTY

A summary of information relative to property and depreciation for the years ended August 31, 2022 and 2021 is as follows:

	2022				
	Cost	Depreciation Expense	Accumulated Depreciation	Book Value	Useful life (years)
Furniture	\$ 45,230	\$ 4,112	\$ 8,567	\$ 36,663	11
Office equipment	65,841	13,169	29,195	36,646	5
Leasehold improvement	9,290	844	1,758	7,532	11
	<u>\$ 120,361</u>	<u>\$ 18,125</u>	<u>\$ 39,520</u>	<u>\$ 80,841</u>	
	2021				
	Cost	Depreciation Expense	Accumulated Depreciation	Book Value	Useful life (years)
Furniture	\$ 45,230	\$ 4,112	\$ 4,455	\$ 40,775	11
Office equipment	65,841	6,937	16,026	49,815	5
Leasehold improvement	9,290	844	914	8,376	11
	<u>\$ 120,361</u>	<u>\$ 11,893</u>	<u>\$ 21,395</u>	<u>\$ 98,966</u>	

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

4. INVESTMENTS

In accordance with the accounting standards for fair value measurements for those assets and liabilities which are measured at fair value on a recurring basis, the Association has categorized its applicable financial instruments into a required three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Association has the ability to access.

Level 2 - Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following is a summary of the inputs used to value the investments as of August 31, 2022 and 2021:

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

4. INVESTMENTS (CONTINUED)

	2022		
	Fair Value	Level 1	Level 2
Money market funds	\$ 37,989	\$ 37,989	\$ -
Common stocks			
Consumer goods	264,285	264,285	-
Mutual funds			
Large blend	1,032,209	1,032,209	-
Foreign large blend	518,171	518,171	-
Diversified emerging markets	334,017	334,017	-
Mid-cap blend	205,261	205,261	-
Small blend	178,327	178,327	-
Savings deposits	374,949	374,949	-
Certificates of deposit	1,131,058	-	1,131,058
	<u>\$ 4,076,266</u>	<u>\$ 2,945,208</u>	<u>\$ 1,131,058</u>
	2021		
	Fair Value	Level 1	Level 2
Money market funds	\$ 96,620	\$ 96,620	\$ -
Common stocks			
Consumer goods	180,420	180,420	-
Mutual funds			
Large blend	1,185,981	1,185,981	-
Foreign large blend	618,189	618,189	-
Diversified emerging markets	397,784	397,784	-
Mid-cap blend	206,120	206,120	-
Small blend	196,437	196,437	-
Savings deposits	9,679	9,679	-
Certificates of deposit	920,271	-	920,271
	<u>\$ 3,811,501</u>	<u>\$ 2,891,230</u>	<u>\$ 920,271</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

4. INVESTMENTS (CONTINUED)

Investment income for the year ended August 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Interest	\$ 11,508	\$ 9,566
Dividends	56,684	39,712
Unrealized and realized (loss) gain	(435,712)	498,097
Management fee	<u>(23,907)</u>	<u>(18,631)</u>
	<u>\$ (391,427)</u>	<u>\$ 528,744</u>

5. DEFERRED REVENUE

Deferred revenue at August 31, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Membership	\$ 62,342	\$ 69,143
Foundation grant	<u>38,758</u>	<u>31,021</u>
	<u>\$ 101,100</u>	<u>\$ 100,164</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

6. NET ASSETS WITH DONOR RESTRICTION

The Association's investment funds consist of individual funds established for a variety of purposes. As required under generally accepted accounting principles, net assets associated with the investment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Association classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets without donor restriction is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the Association's investment policies.

The Association has adopted investment and spending policies, approved by the Association's board, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes mutual funds. Over time, the Association expects its endowment assets, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

The Association received a gift of shares of Archer Daniels Midland Company (ADM) which must be held in perpetuity. Cash dividends on the ADM shares are without donor restriction net assets, and can be used by the Association for operations. Dividends in stock each year are to be retained as stock.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

6. NET ASSETS WITH DONOR RESTRICTION (CONTINUED)

As part of the Rocky and Ahme Stone Fund, the Association has received and will continue to receive contributions that must be invested in perpetuity, but for which the related earnings thereon are restricted to fund certain annual expenses. Earnings on the Rocky and Ahme Stone Fund are recorded as net assets with donor restriction to the funding of the Association convention scholarship aid.

As of August 31, 2022 and 2021, net assets with donor restrictions consisted of the following:

	2022			
	Balance August 31, 2021	Contributions/ Investment Income	Releases	Balance August 31, 2022
Endowment - ADM Shares Rocky and Ahme Stone	\$ 180,420	\$ 83,865	\$ -	\$ 264,285
Endowment Fund	139,340	1,000	(100)	140,240
Pooled income fund	98,720	-	-	98,720
Branigin restricted gift	2,400	-	(2,400)	-
C. Perazzoli restricted gift	20,000	-	-	20,000
Hearing Industry- Social media Advancing health care	2,665 5,100	5,000 -	(6,942) -	723 5,100
	<u>\$ 448,645</u>	<u>\$ 89,865</u>	<u>\$ (9,442)</u>	<u>\$ 529,068</u>
	2021			
	Balance August 31, 2020	Contributions/ Investment Income	Releases	Balance August 31, 2021
Endowment - ADM Shares Rocky and Ahme Stone	\$ 134,593	\$ 45,827	\$ -	\$ 180,420
Endowment Fund	139,340	-	-	139,340
Pooled income fund	98,720	-	-	98,720
Branigin restricted gift	1,200	1,200	-	2,400
Henry Fader restricted gift	20,342	-	(20,342)	-
C. Perazzoli restricted gift	20,000	-	-	20,000
Hearing Industry- Social media Advancing health care	- -	5,000 5,100	(2,335) -	2,665 5,100
	<u>\$ 414,195</u>	<u>\$ 57,127</u>	<u>\$ (22,677)</u>	<u>\$ 448,645</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

6. NET ASSETS WITH DONOR RESTRICTION (CONTINUED)

In many cases, the earnings on the investment of donor restricted funds, such as the pooled funds, are not similarly restricted.

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Trustees of the Association has adopted an accounting and financial reporting policy for net assets without donor restrictions that defines net assets without donor restrictions as either operating or board reserved.

Board-reserved net assets accumulate from other unusual and non-recurring income not associated with the day to day operations of the Association. Operating net assets without donor restriction accumulate from all other income net of expenses, and from amounts released from net assets with donor restrictions.

8. GIFTS IN KIND

The Association receives supplies donated from vendors and suppliers that contract services with the Association for their convention. The Association estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products and services in the United States. These goods and services were all utilized in the period they were received and there were no donor-restrictions imposed on them. The following table outlines the activity for the years ended August 31, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Donated equipment	\$ 1,034	\$ -
Donated services - convention	<u>25,000</u>	<u>-</u>
	<u>\$ 26,034</u>	<u>\$ -</u>

9. DEFINED CONTRIBUTION PLAN

The Association maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. The Association contributed up to 5% on behalf of the eligible participants' contributions. Employer contributions to the plan were \$36,397 and \$27,167 for the years ended August 31, 2022 and 2021, respectively.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

10. INCOME TAXES

The Association is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, except that any unrelated business income is subject to federal taxes. During the fiscal years ended August 31, 2022 and 2021, the income taxes for unrelated business income in connection with its magazine advertising activities were \$718 and \$0, respectively.

Management has analyzed the tax position taken and has concluded that as of August 31, 2022, there were no uncertain tax positions taken or are expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying financial statements.

11. RELATED PARTIES

The Association has state organizations and chapters that reach people with hearing loss through its network. These chapters are administered by volunteers that perform events and conduct meetings that fulfill the Association mission in their local areas. The Association provides strategies and support that are modeled after the Association's self-help philosophy.

During fiscal year 2022, the Association had agreements with certain local chapters and affiliates to conduct local Walk4Hearing fundraising events in numerous cities across the country. As part of these agreements, the Association and the local chapters and affiliates shared in the donations raised from the Walks in accordance with the agreement, with each entity receiving 50% of funds raised. As of August 31, 2022, the Association's share of revenue from these Walks totaled \$450,274 with a corresponding receivable of \$31,528 and payable of \$53,797. As of August 31, 2021, the Association's share of revenue from these Walks totaled \$384,499, with a corresponding receivable of \$45,336 and payable of \$63,335. In addition, the Association incurred expenses in providing assistance to the Walks through the use of its website and the disbursement of promotional material and event coordination with the local chapters and affiliates for which no amounts were charged.

12. JOINT COST ALLOCATION

The Association incurred joint costs for informational materials and activities that included fundraising appeals and a call to action during its walks. These joint costs were allocated as follows:

	<u>2022</u>	<u>2021</u>
Fundraising	\$ 42,138	\$ 46,394
Program	379,264	417,553
	<u>\$ 421,402</u>	<u>\$ 463,947</u>

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

13. COMMITMENTS

Office Lease

The Association entered into an operating lease for its headquarters which commenced August 1, 2020, and will expire on July 31, 2031. The lease contained rent abatements, build-out incentives and fixed increases in the annual rental amount. Generally accepted accounting principles require that when lease agreements contain rent abatements and fixed increases in the annual rental amount, the total rental payments on the lease be recognized using the straight-line method over the life of the lease. The Association has reported the difference between the cash paid for rent and the straight-line rental expense as deferred rent liability in the accompanying statement of financial position. Rent expense and storage expense for the years ended August 31, 2022 and 2021 totaled \$118,400 and \$115,852, respectively. Future minimum lease payments related to this lease are as follows:

Fiscal year ended August 31	
2023	\$ 115,969
2024	118,865
2025	121,833
2026	124,873
2027	127,985
Thereafter	532,698
	<u>\$ 1,142,223</u>

Future Meeting Sites

The Association entered into an agreement for future meeting sites with various hotels. Had the Association cancelled these contracts as of August 31, 2022, it would have been liable for cancellation fees up to \$212,333.

14. CONTINGENCIES - COVID-19 CORONAVIRUS

Citizens and economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect the Association's operations because the disease's severity and duration are uncertain, we expect 2023 financial results may be significantly impacted and the implications beyond 2023, while unclear, could also be adversely impacted. No pandemic implications are accounted for in these financial statements.

HEARING LOSS ASSOCIATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)

15. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 31, 2023, the date the financial statements were available to be issued.